

Fixed Income Update Week 2

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Refinancing auctions in February

- RD has announced that their refinancing auctions will be held on 3 and 6 February. The other issuers will likely hold auctions in the same week (before Danish winter school holidays in weeks 7 and 8).
- Almost DKK 125bn in bullets mature on 1 April and DKK 32bn in FRNs.
- In terms of FRNs, this means CIBOR 3M FRN by NYK.
- The bullet maturity is this time more evenly distributed between the issuers but once again the largest maturity comes from NYK and RD.
- In the bullets segment, we again expect a fairly large maturity of approx DKK 43bn in 5Y bullets. However, as seen at the November refinancing auctions, we expect that borrowers will be inclined to move further down the curve.
 - RD's preliminary volumes are currently tracking close to maturities, albeit with slightly fewer 5Y bullets, suggesting another round of relatively low refinancing percentages in the (initially) five-year bullet bonds.
- We expect total bullet issuance of approx DKK 88.5bn, corresponding to a refinancing percentage of 71%, as we again believe that some borrowers will move fully into FRN-funded loans and that others will postpone loan decisions until the end-of-quarter issuance in March.
- We expect:
 - 5Y bullets: DKK 21.5bn (50% refinancing percentage)
 - 3Y bullets: DKK 19bn (128% refinancing percentage)
 - 1Y bullets: DKK 44.5bn (94% refinancing percentage)
 - Remaining maturities: DKK 3.5bn

Bullets maturing on 1 April 2026

Issuer	Total	1Y	2Y	3Y	4Y	5Y	6Y+
NYK	29,233	23,670	3,009	1,081	346	1,127	-
RD	42,894	19,664	2,680	4,447	1,245	12,277	2,580
NDA	18,774	2,122	466	4,016	362	11,808	-
BRF	21,276	1,754	1,466	3,499	3,084	9,345	2,127
DLR	12,577	219	523	1,841	1,383	8,611	-
Total	124,753	47,429	8,145	14,884	6,421	43,168	4,707

Expected bullet offering at refinancing auctions in February

Issuer	Total	1Y	2Y	3Y	4Y	5Y	6Y+
NYK	19,500	18,000	-	1,000	-	500	-
RD	34,500	19,000	1,000	7,500	500	6,500	-
NDA	14,500	3,000	-	5,000	-	6,500	-
BRF	14,500	4,000	500	6,000	1,000	3,000	-
DLR	5,500	500	-	500	500	5,000	-
Total	88,500	44,500	1,500	19,000	2,000	21,500	-

End-of-quarter issuance was as expected

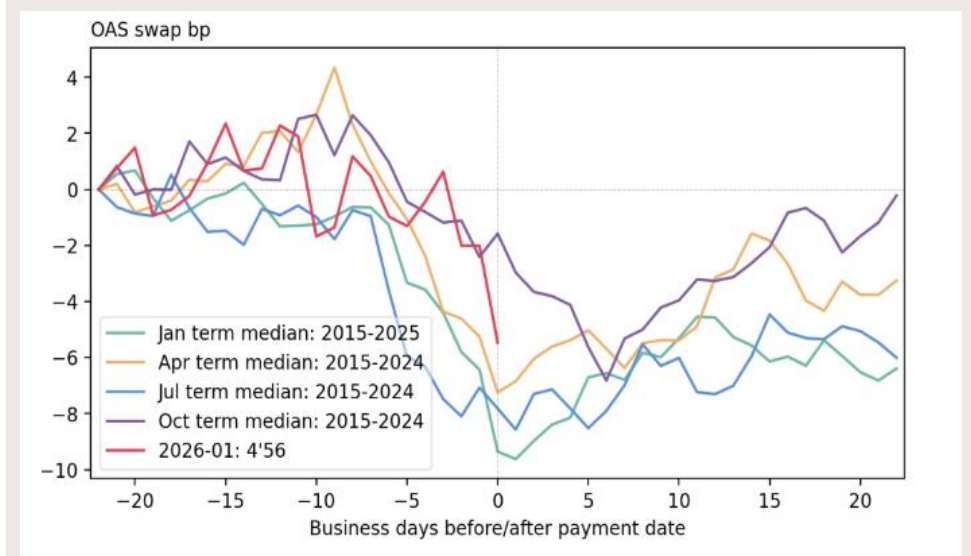
- The end-of-quarter issuance landed at just under DKK 23bn (based on OMX reporting), distributed as follows:
 - FRNs: DKK 11bn
 - Bullets: DKK 11bn
 - Callables: DKK 1bn
- The majority of the callable end-of-year issuance is not reflected in OMX reporting and therefore only be observed through changes in the outstanding amounts.
 - Callables end-of-quarter issuance totalled DKK 3.8bn based on changes in the outstanding amounts.
- Total end-of-quarter issuance matched our expectations.

End-of-quarter issuance December 2025 (OMX)				
	Callables	RTL	FRN	Total
Avg.daily issuance dec.	<u>357</u>	<u>611</u>	<u>586</u>	<u>1553</u>
End-of-quarter (issuance - avg. daily)				
29/12/2025	83	978	4070	5132
23/12/2025	873	7822	5206	13901
22/12/2025	<u>43</u>	<u>2054</u>	<u>1689</u>	<u>3787</u>
Total end-of-quarter	999	10855	10965	22819
<i>Expected end-of-quarter</i>	4200	8350	10950	23500

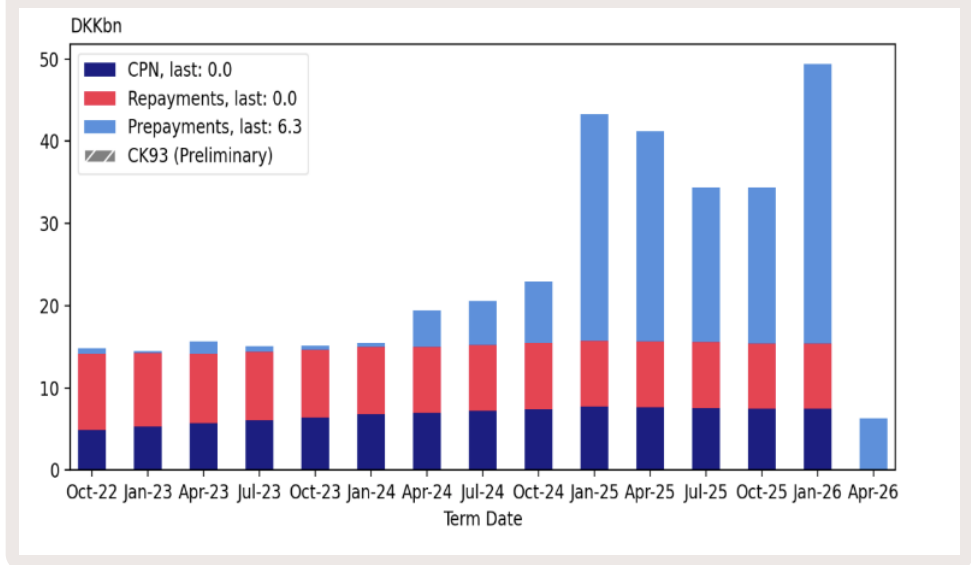
Reinvestment performance on track

- Callables follow their usual pattern!
- The top right-hand chart shows reinvestment performance in 4'56. We expect the vast majority of reinvestments to occur in this coupon.
- We expect the reinvestments to continue for the next few days.
- About DKK 49bn in overall reinvestment need at the January payment date – redemptions, and principal and coupon payments.

OAS performance around payment dates (median)



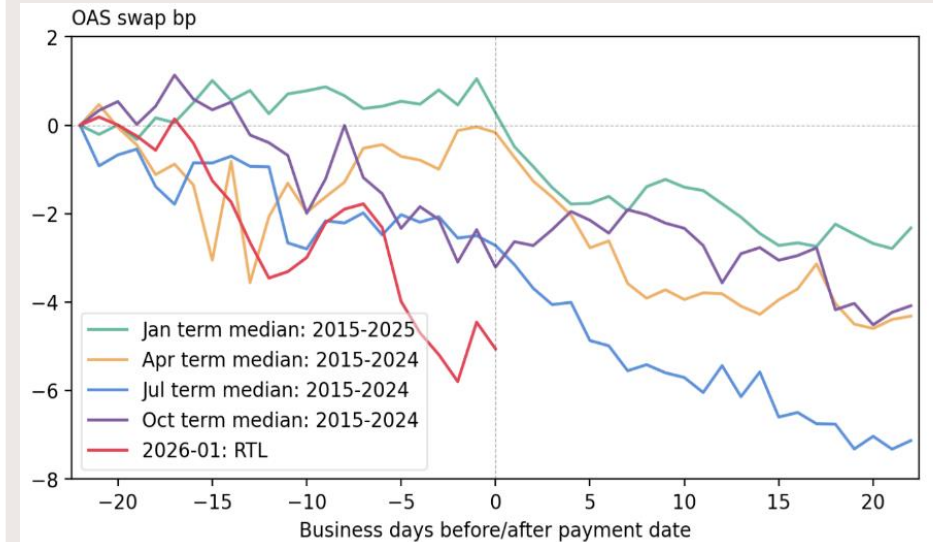
Callables payments



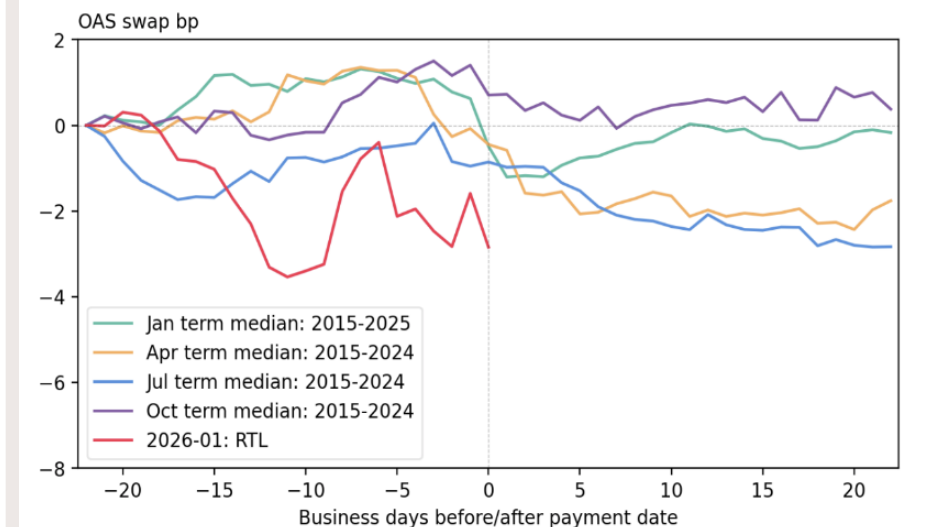
Reinvestment performance on track

- Bullet bonds are also seeing reinvestment performance as expected.
- Historically, reinvestment performance in bullets has been modest but has increased gradually in scale alongside the more expensive pricing of callables.
- We interpret the increasing reinvestment performance in bullets as an indication that a growing number of investors are reinvesting into bullets.

1Y bullet reinvestment performance



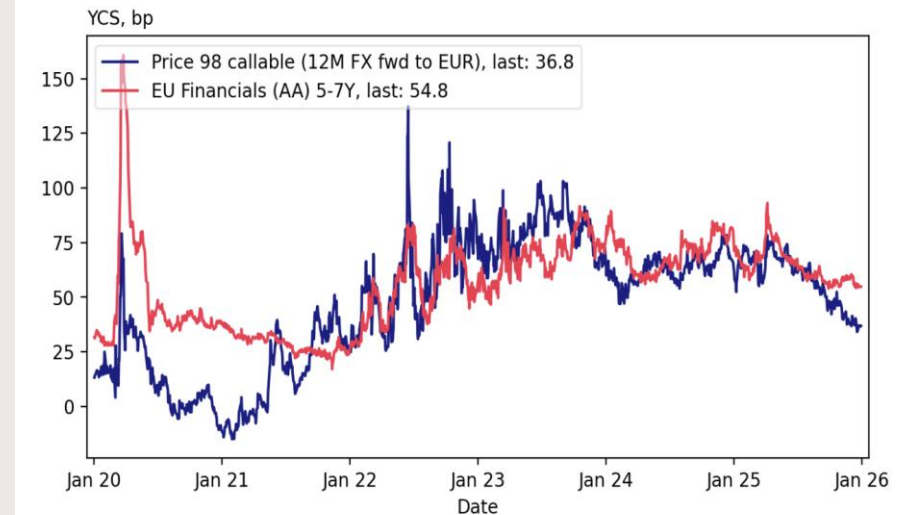
3Y bullet reinvestment performance



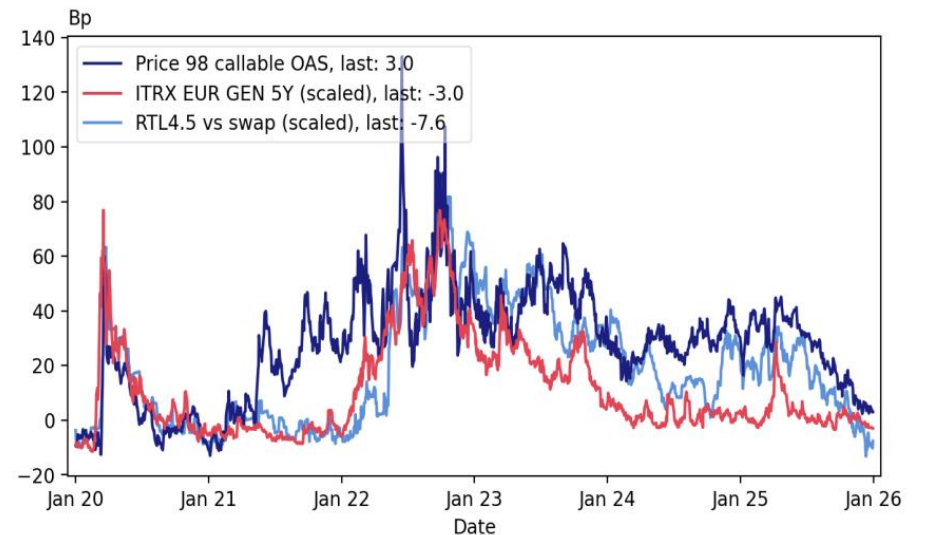
After reinvestment performance

- The pricing of callables remains on the expensive side, and we are concerned that geopolitical events could put pressure on spreads once reinvestment flows subside.
- Strong reinvestment flows, coupled with low issuance, are expected to support performance over the coming days. Beyond this, we remain uncertain whether the low issuance volumes are sufficient to sustain spreads at the current elevated levels once reinvestment flows normalise.

Spread to swap: Callables and European credit bonds



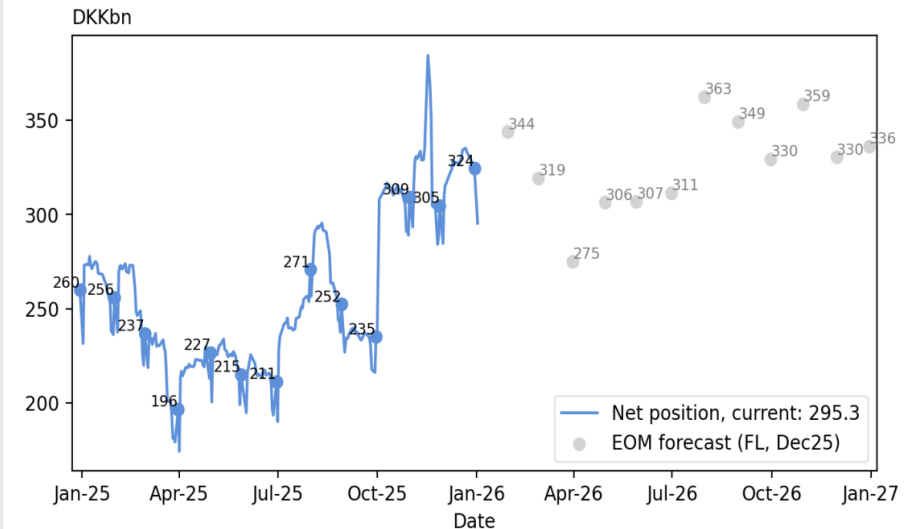
30Y callables, iTraxx Main and bullets



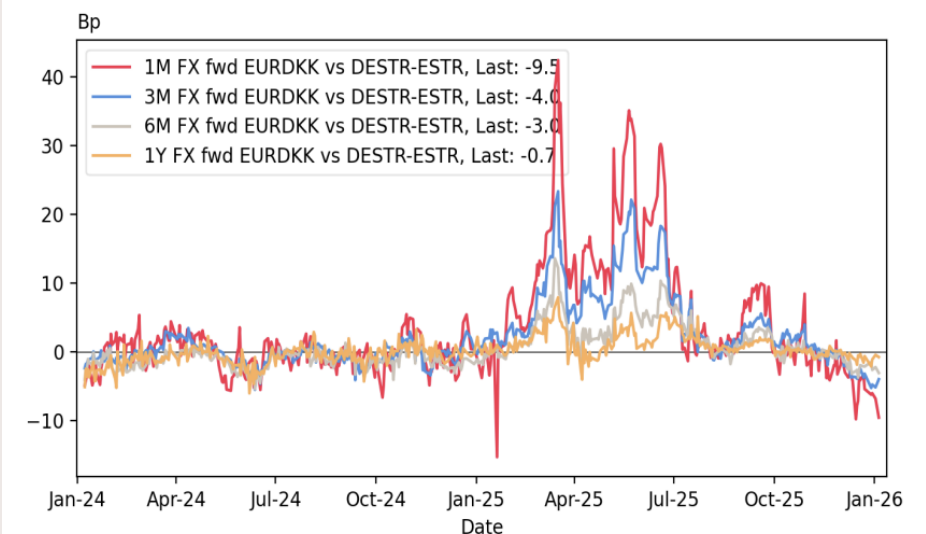
From liquidity squeeze to ditto abundance

- Since early October (when the Danish government's purchase of Copenhagen Airports and its participation in Ørsted's capital increase were completed), the net position has remained at about DKK 300bn or higher.
- The net position was DKK 324bn at the end of 2025, ie DKK 64bn higher than at end of 2024.
- The FX forward market is currently signalling ample liquidity conditions, with the implied interest rate spread between Denmark and the eurozone derived from 1M FX forwards at just under -48bp, ie approx -8bp more than the official policy-rate spread and around -10bp more than 1M DEST-ESTR.
- On the basis of the government budget for 2026, Danmarks Nationalbank has published a new monthly breakdown of the government's financing requirements.
 - Based on this, we expect the net position to reach around DKK 275bn at the end of March and then rise again in April – and be around DKK 300bn or higher for the rest of 2026 (see top chart).
 - In 2026, the net position thus seems to bottom out around the same level as at the end of July 2025, when the signs of liquidity squeezes in the FX forward market had subsided again.
- There is therefore no immediate prospect of a renewed liquidity squeeze in 2026.
 - However, it is still worth keeping an eye on whether the conditions for the outlook for the net position change – something that we in fact have

Net position including the latest monthly forecast for 2026



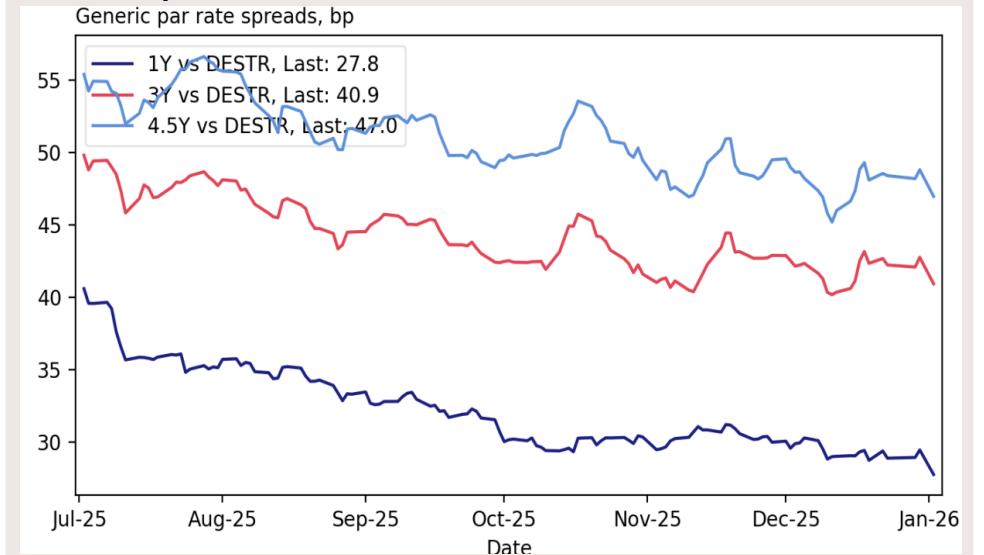
FX forwards: Implied yield spread vs DEST-ESTR



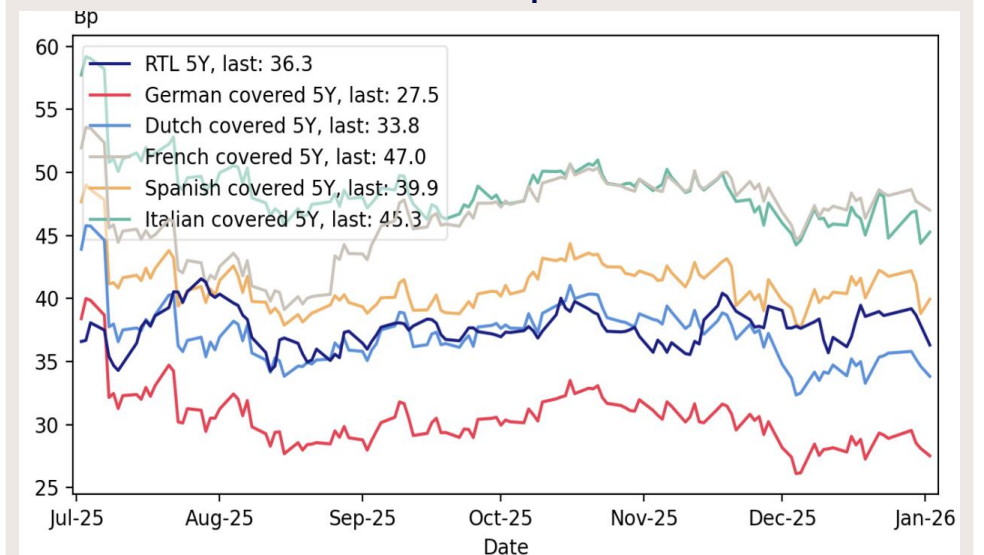
Bullet spreads developed completely as expected.

- Despite the massive end-of-year issuance of bullets, they traded at unchanged spreads over this period, having lost roughly 2bp in the week before.
- Last Friday, bullets regained what they lost, and the spread development in bullets in connection with end-of-year issuance has thus been completely in line with our expectations (see page 3 [here](#)).
- As we also pointed out before the end-of-year issuance started, performance in the region of 2bp would result in a more balanced pricing of Danish bullets relative to European covered bonds.
- Although German and Dutch covered bonds also performed on Friday, the relative pricing looks more reasonable at current levels.
- We expect a flat spread development in bullets from now on, but the current liquidity situation may support performance in short-dated bullets if it continues.

Bullets: Spreads vs DESTR



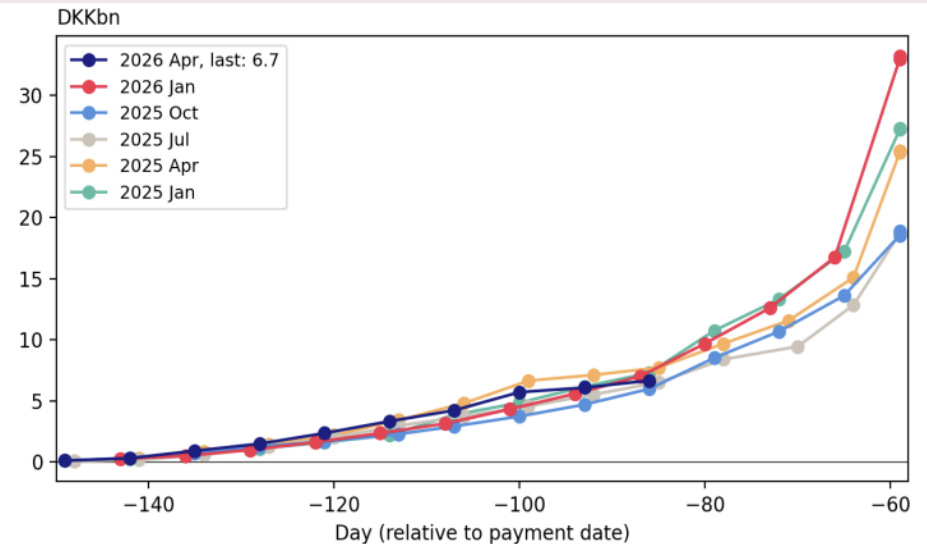
Bullets and EUR covered bonds: Spread vs DGB/DBR



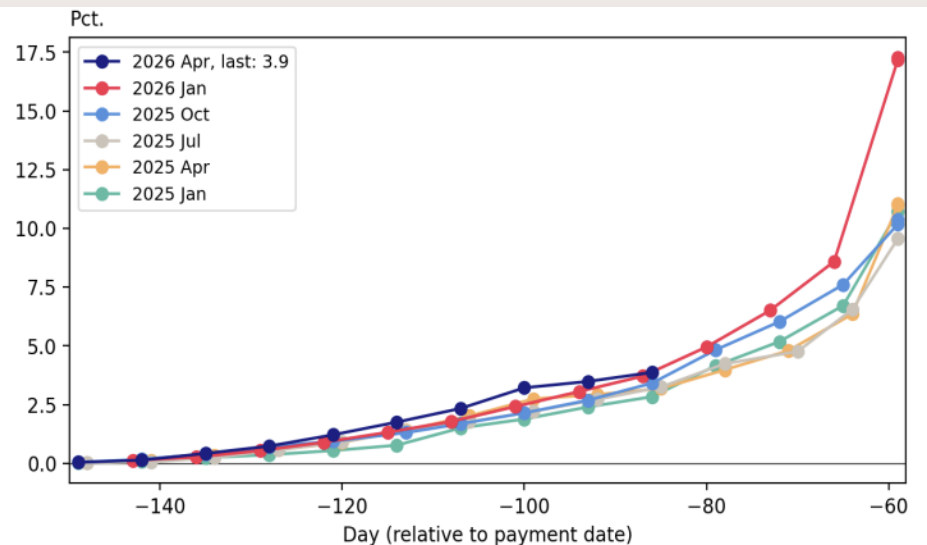
CK93 data had a well-deserved Christmas break

- After a year in which preliminary prepayments have received a lot of attention, the past few weeks have been marked by the Christmas holidays.
 - Hence, this and last week's CK93 data has been characterised by a slow pace of prepayment.
 - When the weeks leading up to the Christmas holidays showed a slightly higher prepayment activity, this was only tantamount to the preliminary April prepayments being back at a level similar to the previous five payment dates.
 - The higher prepayment activity right before the Christmas holidays reflected therefore – just as we had expected (see eg page 5 [here](#)) – primarily front-loading of prepayments prior to the Christmas holidays.
- So far, the CK93 data does not give much indication of whether the prepayments in 5% bonds for the April payment date will land at the approximately 10% we saw on the four payment dates in 2025, or whether they will be higher, as seen for the January payment date of 2026.
 - However, in our view, it will require a fairly high price increase in 3.5'56 if prepayments in 5% bonds are to be higher than approx 10%.
 - The most likely is another round of prepayments in the region of 10% – and possibly a bit lower if we start to see burnout in fixed-to-variable refinancing volumes.

Total preliminary prepayments (all callables)



Preliminary prepayments in 30Y 5% callables



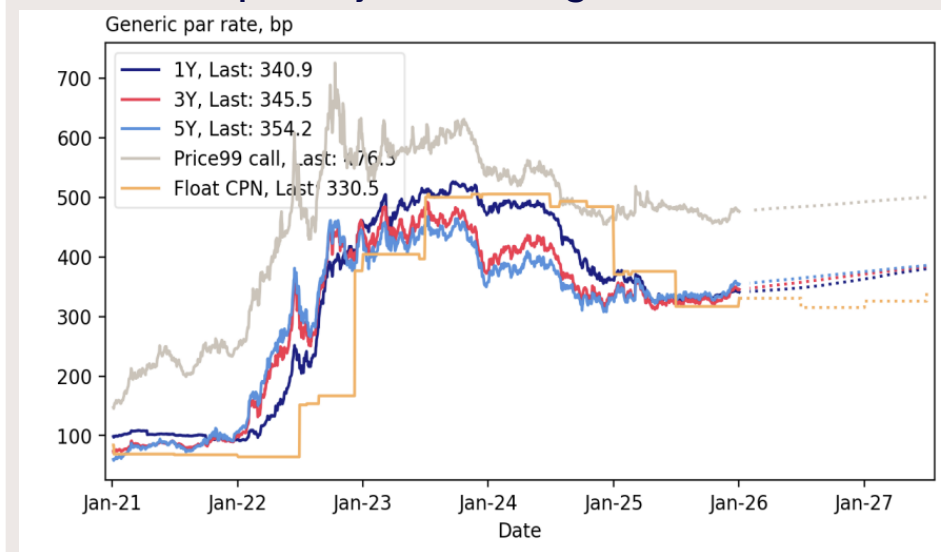
Callables – a shrinking segment

- The beginning of January is a good time to take stock of last year's mortgage issuance.
- Generally, issuance in 2025 was concentrated in FRNs and bullets – both segments grew significantly.
- Nykredit and DLR recorded the largest lending growth.
- Overall, there was negative net issuance of callable bonds, which is expected to have contributed to performance in this segment.
- RD's total lending shrank as a result of the use of secured bank lending over mortgage lending in the Danske Bank group.
- Based on the current level of mortgage payments on the different loan types, it is our expectation that the issuance landscape from 2025 will apply to 2026 as well.
- However, we expect the callables segment to shrink less and the amount of FRNs and bullets to be correspondingly lower.
- This is due to the reduced volume of 5% callable bonds and the resulting lower refinancing into lower coupons.

Changes outstanding amount 2025 as %

%	Call	RTL	FRN	Total
NYK	1%	13%	14%	8%
RD	-4%	-1%	8%	0%
NDA	-2%	8%	2%	3%
BRF	2%	3%	12%	5%
DLR	0%	11%	10%	8%
Total	-1%	7%	11%	5%

Yields and coupons adjusted for margins etc



Recommendations

- Our recommendations fared fairly well over the holidays.
- We are closing our recommendation of 4'56 vs bullets, which is modestly in the money on top of the expected reinvestment performance in callables.
 - We see a risk of spread widening in callables when we are on the other side of the reinvestments.
- No changes to other recommendations.

Open recommendations

Opening date	Name	Return 5bd	Total return
2025-08-25	CITA vs CIBOR 3M FRN	0.03	0.04
2025-11-24	4'56 vs. RTL	0.22	0.11
2025-11-27	CIBOR 6M vs CIBOR 3M FRN	0.00	0.03
2025-12-15	DGBi'30 vs DGB'29 and DGB'31	0.02	-0.07

Nykredit

markets